

**CITY COUNCIL BUDGET SESSION
CITY OF WATERTOWN
May 2, 2016
7:00 p.m.**

Mayor Joseph M. Butler, Jr. Presiding

Present: Council Member Cody J. Horbacz
Council Member Stephen A. Jennings
Council Member Teresa R. Macaluso
Council Member Mark C. Walczyk
Mayor Joseph M. Butler, Jr.

Also Present: Sharon Addison, City Manager

City staff present: Matthew Roy, James Mills, Fire Chief Herman, Michael Sligar, Yvonne Reff, Michael Lumbis, Erin Gardner, Brian Phelps, Justin Wood, Police Chief Donoghue, David Wurzburg, Peter Monaco, Patrick Keenan

DISCUSSION

Transportation – page 116-118

Council Member Horbacz questioned why the salary amount listed on page 117 doubled from last year to this year.

Ms. Addison explained that the Transit Director position was a new position last year and was only budgeted for half of the year. She pointed out the position has not been filled at this time.

Council Member Macaluso asked if this position is funded by the State or Federal government.

Ms. Addison confirmed that 90% of it is.

James Mills, City Comptroller, explained the budget will show 100% of the cost so the reimbursement will show on the revenue side.

Council Member Horbacz asked who oversees the Bus system while this position is not filled.

Ms. Addison replied that Eugene Hayes, Superintendent of Public Works, oversees the overall department, but there is also a Transit Operator.

Budget Message from City Manager

Ms. Addison advised that she included a very strong budget message within the proposed budget. She said work on the budget begins in December with capital requests and continues into January with operational requests. She stated there are many discussions between herself, the City Comptroller and the Department Heads in order to cut it down. She advised that every year she scrutinizes the levels of service provided to the taxpayer, looking for cost savings initiatives. Mentioning the vehicle replacements within the proposed budget, she cautioned against making a decision without consulting with herself or the City Comptroller because this list was scrubbed from a much larger list. She added that she consulted with Peter Monaco, Fleet Manager for the City, and received the details for every vehicle that was requested and put into the budget. In addition, Ms. Addison pointed out that a Police

Lieutenant position was added by promoting a Police Sergeant to Lieutenant and promoting a Police Officer to Sergeant, so the overall number of personnel for that department remains the same. She acknowledged that the focus of Council was to consider adding additional Police Officers to the force, but she could not make it happen with this budget.

Management and Management Confidential Salaries

Council Member Macaluso expressed concerns with the 2.5% pay increase for managers, stating that some people have only been employed a few years and are getting the same increase as others that have been employed for 30 years, so using 2.5% across the board seems awkward to her. Mentioning that some of the positions' salary increases have already been discussed, she said she is in agreement with those but feels 2.5% across the board is too much. She also noted that some departments are working with very few people.

Ms. Addison advised that the total funded for the management increase is approximately \$75,000. She explained her rationale for the increase was that all the bargaining units have received 2.5% raises this year. She stated that she has previously discussed the gap that is closing between the upper level bargaining unit members and management, noting that management is the responsible and accountable personnel. In addition, Ms. Addison stated there is no mechanism in place for a performance-based system or a step scale system.

Council Member Walczyk asked if the gap differs between departments and bargaining units.

Ms. Addison replied this challenge exists in each of the bargaining units and noted that this does not take into account overtime. She advised management is not eligible for overtime. She said she plans to work with the HR Manager to develop a mechanism or system, whether it is performance-based or a step scale.

Mayor Butler commented that it is tough to raise taxes and then give everyone a pay raise. He understands that as the union raises increase, it encroaches on management salaries. Noting that when someone takes a management position there is risk involved, he commented they must rely on salary increases through the legislative body, which sometimes Council has given and sometimes has not. He indicated that inflation is not running at 2.5% and suggested offering a 1.5% increase.

Council Member Horbacz remarked that his calculations showed the increase in salaries from last year to the new fiscal year is approximately \$96,000.

Ms. Addison stressed that it should be \$75,000 and noted Council did not take a raise this year. She pointed out that if the raise was cut by .5%, it would save approximately \$14,400.

Mr. Mills added this includes FICA and retirement.

Council Member Walczyk commented that there needs to be at least inflationary increases or it cuts someone's pay.

Mayor Butler noted there have been years when management has received a 0% increase but stated that "everyone feels the pain" when budgets are tough. He stressed that no one has been laid off and positions have only been let go through attrition.

Council Member Walczyk stated that the City Manager will bring merit-based increases to Council's attention from time to time so the hardest working individuals are recognized.

Council Member Macaluso remarked that the smaller departments have to rely heavier on each other, and she believes they work harder because they do not have a lot of staff to help with their specific jobs. She said that some people are underpaid here and some people are overpaid, so doing the 2.5% across the board does not seem like an accurate way to do this.

Council Member Walczyk noted that most of the residents' incomes within the City are not going up, and they are on a fixed income so they are not receiving a 2.5% cost-of-living adjustment (COLA) this year. He suggested offering an increase slightly around the inflation rate and to continue recognizing the staff doing a good job with merit raises.

Council Member Horbacz said it is tough to ask for a 12% tax increase and give a blanket 2.5% increase to all Department Heads. He said he agrees with Council Member Walczyk.

Mayor Butler reminded Council that the City has good Department Heads, and he wants to retain them so they need to be paid salaries that will keep them working for the City.

Discussion over the rate of inflation occurred, and Mr. Mills indicated that he would provide Council with more information.

Council agreed to leave this at 2.5% and reconsider it at a later time.

Sales Tax – page 6

Mayor Butler mentioned the Sales Tax revenue of \$17,875,000 and suggested raising it to \$18,030,000. He discussed the calculations that he did in arriving at this figure and noted he is a little more optimistic regarding Sales Tax revenue.

Bed Tax – page 227

Council Member Walczyk asked if the City has ever looked at increasing the Bed Tax.

Mr. Mills explained this is tracked in a separate fund and those proceeds are transferred to the General Fund for tourist related activities. He pointed out that a few years ago, it was agreed that the rehabilitation of the Arena would be considered tourism-type expenditures.

Council Member Walczyk asked if the City has considered levying its own Bed Tax on top of the County's.

Mr. Mills replied that the City has not considered this. He confirmed there is a 3% Bed Tax and the County receives 2% of this for administration and the City and County each receive 50% of the remaining balance. He clarified that the City only receives Bed Tax from the hotels that are within the City limits. Regarding implementing a City levy on this, Mr. Mills stated that he would have to speak with Attorney Slye to determine the process.

Council Member Walczyk said it is something to consider and mentioned that he thinks Oswego has a levy on its own Bed Tax.

Fund Balance

Mayor Butler indicated that the proposed budget has no allocation of the Fund Balance. He asked Mr. Mills to compare year-to-date revenue and expenses to the current budget.

Mr. Mills drew Council's attention to the multiyear plan on page 305 that projects an estimated surplus deficit for FY 15-16 of \$604,626 and the unreserved fund balance - unappropriated at approximately \$10.9 million, which is 26% of the subsequent year's revenue. Stressing that many of the City's revenues are volatile and there is no control over them, he advised the City must keep a healthy reserve. He pointed out that Moody's indicated a year ago that they may consider downgrading the City of Watertown's credit if there is not an adopted balanced 2017 budget. He clarified a balanced budget is defined as a zero Fund Balance appropriation.

Council Member Walczyk stated that he read the Comptroller's report and it says Watertown has to have a larger Fund Balance because the revenue streams are so volatile and the Fund Balance is to be used when revenue is down to mitigate the impact on the taxpayer. However, he said Moody's is saying that Fund Balance should not be used and the City must raise taxes.

Mayor Butler remarked that he cannot recall the last time the City did not use Fund Balance but Moody's rating has still improved over the years.

Mr. Mills mentioned the rating scale was revised. In response to Council Member Horbacz's question, he explained a decrease in rating would increase the debt issuance costs, so as the City did capital projects, the cost in the out-years to pay for it would increase. He confirmed this increase would be on future debt and does not change the current outstanding bonds.

Mayor Butler discussed the importance of keeping financial strength in the Moody's rating.

Mr. Mills informed Council that once a budget is adopted, a freeze list, consisting mostly of vehicles and tangible type items, is created because he wants to see the 1st and 2nd quarter sales tax to make sure the revenue is hitting its marks. He stressed that each year it has become harder to come up with items for the freeze list because the budget is already pared down of those types of items. He advised how hydro revenue is calculated, noting that it is dependent on Mother Nature and when it is off, it is such a variable that it proves the need for a stable Fund Balance. He suggested that whatever is done with Fund Balance, Council relook at the five-year plan because it needs to be sustainable. Mentioning that Council wants to create a reserve fund for the "cliff" when the hydro contract expires, Mr. Mills noted that he cannot work on that until he knows the City can get through the next few years, let alone setting money aside for 15 years from now. He advised there is only one revenue that the City controls and it accounts for only 20% of the total spending for the General Fund. He added that all the other revenues are essentially out of the City's control.

Courtroom Renovations – page 263

Council Member Jennings asked for an update of the courtroom renovation, stating the price of \$2 million is outrageous.

Justin Wood, City Engineer, indicated that he is waiting to hear comments from the Unified Court System, and he hopes to hear from them in the next few weeks. He said at that point, he will see what additional space is being requested and whether the City Clerk and Code Enforcement will need to be moved. In addition, he indicated they will need to see what will be required for a fully secure building. He explained that the original cost was estimated at \$1.6 million but thought it was wise to increase it to \$2 million because there are still a lot of unknowns ahead.

In response to Mayor Butler's question, Mr. Mills stated that no debt has been issued so there is no impact on this budget and the debt service will begin in FY 2017-18, continuing for 15 years.

Mayor Butler remarked that this project needs to move forward and the City needs to work towards full security for the building.

Council Member Jennings asked how it is working with the current facilities with the two judges and if there have been any complaints.

Ms. Addison replied she has not received any complaints. In addition, she mentioned Drug Court is being held on Wednesdays and they are using the public restrooms for drug testing.

Council Member Walczyk said he is opposed to securing the whole building. He suggested looking at other options, such as sharing space with the County Court Complex or obtaining another building to house it.

Ms. Addison commented that these options were discussed with the Court Administration but they were not interested. She advised that she will revisit this topic with them again.

Budget Sessions

Mayor Butler announced that a Budget Session is scheduled for Wednesday, May 4, 2016 at 6:00 p.m. to discuss Parks and Recreation as well as the Police Department, and another is scheduled for Monday, May 9, 2016 at 6:00 p.m. to discuss the Fire Department.

Single Stream Recycling

Council Member Macaluso asked when this might take effect.

Mayor Butler replied that it depends on the County. He discussed the effects of this on the City residents, stating that it is mostly for convenience, and the effects on the County from the cost standpoint.

Council Member Walczyk mentioned the City should save money in tipping fees because less recyclables will be included in their normal trash.

Work session ended at 8:47 p.m.

Ann M. Saunders
City Clerk